

Association for Information Systems AIS Electronic Library (AISeL)

ICIS 1997 Proceedings

International Conference on Information Systems
(ICIS)

December 1997

The Gestalt of an Information Technology Outsourcing Relationship: An Exploratory Analysis

Thomas Kern
University of Oxford

Follow this and additional works at: <http://aisel.aisnet.org/icis1997>

Recommended Citation

Kern, Thomas, "The Gestalt of an Information Technology Outsourcing Relationship: An Exploratory Analysis" (1997). *ICIS 1997 Proceedings*. 3.
<http://aisel.aisnet.org/icis1997/3>

This material is brought to you by the International Conference on Information Systems (ICIS) at AIS Electronic Library (AISeL). It has been accepted for inclusion in ICIS 1997 Proceedings by an authorized administrator of AIS Electronic Library (AISeL). For more information, please contact elibrary@aisnet.org.

THE *GESTALT* OF AN INFORMATION TECHNOLOGY OUTSOURCING RELATIONSHIP: AN EXPLORATORY ANALYSIS

Thomas Kern
University of Oxford

Abstract

Recent market indicators point once again toward a substantial growth of information technology (IT) outsourcing in the developed economies. Outsourcing has now become a major option considered for handling some or most of an organization's information systems and technology requirements. The growing concern, however, of organizations either evaluating or actively involved in IT outsourcing, is the management and ensuing development of what many researchers in the literature have coined the outsourcing partnership. The envisaged relationship between the client and the vendor has been found to take on a certain *gestalt* which, when formalized, consists of two key parts: the contract and its operationalization. The uniqueness, however, of the IT outsourcing relationship is defined by the sum of its parts. In this context, a model has been developed that is based on exchange theory and contract law. It provides an overview of what an outsourcing relationship entails. The model is substantiated, through research into client and vendor companies, to ascertain the current relationship building practice. The resulting model derives its usefulness from its heuristic and analytical potential, in a fashion that captures both the outsourcing relationship's contractual, social, and economic characteristics, and additional elements found to have relevance in practice.

Keywords: MIS management, IT outsourcing, IT outsourcing relationship, relational contract theory, social exchange theory, interpretivism.

1. INTRODUCTION

Ever since the "Kodak effect" in 1989 (Applegate and Montealegre 1991), information technology (IT) outsourcing has continued to grow to such an extent in market size and organizational influence, that it nowadays has become considered an integral component of the information management process (Feeny and Willcocks 1997; Rockart et al. 1996; Rockart and Ross 1995), requiring as necessary, in many circumstances, an in-depth comparison to the performance of the in-house IT department (Willcocks et al. 1996). Once the decision to outsource has been made and contract negotiations have led to an agreement, the ensuing concern of IS practitioners is how best to manage an outsourcing venture to achieve a win-win situation, while ensuring that savings, service levels, and other outsourcing objectives are attained, as stipulated in the contract. In practice, this may require both sides to look beyond the traditional arm-lengths supplier-buyer type arrangements and to move more toward a relationship (i.e., partnering) that operates within the "spirit of the contract." IT outsourcing is broadly defined as a decision taken by an organization to contract-out or sell the organization's IT assets, people, and/or activities to a third party vendor, who in exchange provides and manages assets and services for monetary returns over an agreed time period (Lacity and Hirschheim 1993; Loh and Venkatraman 1992).

Understanding the relationship that arises in IT outsourcing is vital, since it comes about not only through the operationalization of the contract, but also as a natural consequence of the resulting issue of dependency (Grover et al. 1995; IDC and School 1994; Kern and Willcocks 1996; Kirkpatrick 1991; McFarlan and Nolan 1995). Paradoxically, the area in the IT outsourcing literature that has received the least research attention so far is the outsourcing relationship and more precisely the characteristics that determine such a relationship. A few notable exceptions such as Klepper (1993, 1994, 1995), McFarlan and Nolan (1995), Willcocks and Choi (1995), and Willcocks and Kern (1997) have carried out initial research into the area, but still there remains little work that covers an IT outsourcing relationship holistically.

The research presented here discovered a plethora of relationship approaches in interorganizational relationship theory, marketing theory, and the management literature, but no one approach was found applicable in its entirety without undergoing major amendments. This paper, therefore, presents an eclectic theoretical framework that integrates the notions of social exchange theory and social contract theory to explain the properties of an IT outsourcing relationship. It begins with a review of the literature on existing relationship approaches within both the information system and management arenas, which led to the conclusion that a notion of exchange underpins the majority of business-to-business relationships. Next, a brief discussion of social exchange theory and social contract theory elucidates the conceptual underpinning of the *gestalt* of the IT outsourcing relationship model presented here. Finally, research into how six client and five vendor companies handle the outsourcing relationship gives some initial indication of the validity of the model.

2. EXISTING RELATIONSHIP APPROACHES

The search through the IS literature for dyadic relationship approaches that could be used to explain the client/vendor relationship in outsourcing revealed a set of promising explanatory approaches (see Table 1). However, on closer analysis, it was discovered that these would have major problems if employed. The relationship approaches generally lacked a substantial theoretical base which could be accessed to explain the conceptual origin and characteristics of an IT outsourcing relationship. More importantly, though, it was found that the approaches tended to be solely of a theoretical nature and, in the majority of cases, did not consider the contract to be an integral part of a business relationship. Although the approaches covered a range of factors that are fundamental to an outsourcing relationship, the majority would have explanatory problems and require major amendments to be useful, something also found by Willcocks and Choi.

Klepper (1993, 1994, 1995), McFarlan and Nolan, Willcocks and Choi, and Willcocks and Kern are so far the only researchers to explicitly recognize the importance of an IT outsourcing relationship and are the only ones to have made an attempt at explaining partnering in outsourcing. Klepper (1994, 1995) employs two existing theoretical relationship approaches—Anderson and Narus (1990) and Dwyer et al. (1987)—from the marketing field to describe an outsourcing relationship. The problem Klepper encounters, however, is the dilemma between theory and practical reality. Both marketing models are of a conceptual nature, so when Klepper attempts to apply the Dwyer et al. model without amending it appropriately, his findings turn out to be inconclusive. In the end, he is forced to concede that “in the future an effort should be made to combine elements of several theories to obtain a better understanding of the mechanisms by which partnerships evolve and how this process can be managed” (1995, p. 257).

Following Klepper’s advice, a search through the literature identified interorganizational relationship theory, marketing theory, and general management literature as the predominant areas for explanatory approaches that described the development and intricacies of interfirm relationships (see Table 2). However, closer analysis of the approaches revealed that only four of the approaches actually considered the contract, whereas only White and

Levine (1961) and Dwyer et al. addressed it explicitly. As already discussed, the contract in outsourcing regulates the venture and builds the foundation. If any approach were to be applicable, it would need to incorporate the contract. The analysis also highlighted that only four relationship frameworks had actually undergone empirical validation. Cases researched by Klepper (1995) and by Willcocks and Choi have clearly illustrated the problems, contradictions, and sometimes tautological nature of theoretical models when applied to academically researched sets of circumstances.

However, looking at the conceptual origin that underpins the vast variety of relationship contexts, from trade associations to buyer-seller relationships, it became evident that the notion of exchange is predominant. This might imply that exchange is the underlying reason that guides the formation of business relationships, which would be true in many situations for an IT outsourcing venture.

Table 1. IS Literature on Dyadic Relationships

Author(s) and Year	Approach	Relationship Context	Conceptual Origin	Research	Covers Contract Issues	Describes Relationship Model
Elam (1988)	Cooperative External Relationship	interfirm cooperation	none	theoretical	no	no
Konsynski and McFarlan (1990)	Information Partnerships	interfirm cooperation	none	theoretical	no	no
Henderson (1990)	Strategic Partnerships	IS organization and line managers	none	theoretical	not explicitly	yes
Lasher et al. (1991)	IT Partnerships	vendor/client cooperation	none	long-term case study	no	checklist model
Cunningham and Tynan (1993)	Interorganizational Systems	buyer/seller relationship	marketing theory	theoretical	no	yes
Kumar and van Dissel (1996)	Interorganizational Systems	interfirm collaboration	interdependency theory	theoretical	no	no
Reekers and Smithson (1996)	Interorganizational Coordination	interfirm relationship	transaction cost analysis, network theory and resource dependency theory	theoretical	no	no
Bensaou and Venkatraman (1996)	Interorganizational Relationships		political theory, transaction cost theory, and inter-organizational theory	theoretical	no	conceptual model

Table 2. Management Literature on Dyadic Relationships

Author(s) and Year	Approach	Relationship Context	Conceptual Origin	Research	Covers Contract	Describes Relationship Model
Musgrave and Annis (1996)	General management theory	Interfirm	Life cycle dynamics and change management	Theoretical	No	Four dimensions <ul style="list-style-type: none"> • Control • Structure • Emotion • Operation
White and Levine (1961)	Interorganizational relationship	Health welfare context	Exchange theory	Theoretical	Yes	Four dimensions <ul style="list-style-type: none"> • Parties • Kind and quantities • Agreement • Direction of flow
Van De Ven (1976)	Interorganizational relationship	Interfirm	Exchange theory	Theoretical	No	Four dimensions <ul style="list-style-type: none"> • Situational factors • Process • Structural • Outcome
Levinthal and Fichman (1988)	Interorganizational relationship	Auditor/client relationship	Exchange theory	Survey of 2,388 firms ^a	No	No
Oliver (1990)	Interorganizational relationship	Six different interfirm relationships	Resource dependence theory and exchange theory	Theoretical	No	Five contingencies <ul style="list-style-type: none"> • Asymmetry • Reciprocity • Efficiency • Stability • Legitimacy
Van De Ven and Ring (1994)	Interorganizational relationship	Interfirm	Exchange theory	Theoretical	Yes	Four dimensions <ul style="list-style-type: none"> • Negotiations • Commitments • Executions • Assessments
Dwyer et al. (1987)	Marketing	Buyer/seller relationship	Exchange theory	Theoretical	Yes	Five phases <ul style="list-style-type: none"> • Awareness • Exploration • Expansions • Commitment • Dissolution
Anderson and Narus (1990)	Marketing	Distributor/manufacturer	Exchange theory	40 company interviews	No	Four key factors <ul style="list-style-type: none"> • Relative dependence • Communication • Comparison level • Satisfaction
Cunningham (1980) and Hakansson (1982)	Marketing	Buyer/seller relationship	Exchange theory, transaction cost theory	Theoretical	No	Three key parts <ul style="list-style-type: none"> • Environment • Atmosphere • Interaction process
Faulkner (1995)	Strategic alliances	Alliances and joint ventures	Resource dependence theory and organizational learning	Ten case studies	No	Four parts <ul style="list-style-type: none"> • Alliance form • Motivation • External forces • Partner selection

^aSample was derived from the 1993 CompuStat Database.

3. TOWARD A THEORETICAL FRAMEWORK: SOCIAL EXCHANGE AND CONTRACT THEORY

The underlying concept of IT outsourcing is the acquisition of services and/or products through continuous interactions between the parties to the agreement. Most IS researchers studying outsourcing and looking to support their research theoretically point toward Williamson's (1979, 1981) transaction cost theory (TCT) for an explanatory framework. However, TCT at its core views the actor (i.e., person or company) as dealing not with other actors but directly with the market, which in this context of discussing the client/vendor relationship is entirely inappropriate. Emerson (1972) substantiates the view of this paper by explaining that "in economic theory, decisions are made by actors not in response to, or in anticipation of, the decision of another party but in response to environmental parameters." Thus, to explain the outsourcing relationship, more than an economic view is needed; an understanding of the episodes of exchanges from an individual's standpoint, which is guided by the contract but might lapse into voluntary exchanges (Hakansson 1982) is needed. White and Levine found that the structure of exchange episodes can be simplistically characterized by four main dimensions: (1) the parties to the exchange; (2) the kinds and quantities exchanged; (3) the agreement underlying the exchange; and (4) the direction of the exchange, which in many cases defines the focus of the relationship.

Social exchange theory, as formalized by Blau (1964), Cook (1977), Emerson (1972), Homans (1961), and Thibaut and Kelley (1959) explains dyadic exchange relations as consisting of "voluntary transactions involving transfer of resources between two or more actors for mutual benefit." Exchange actions, in other words, are contingent on rewarding reactions from others, but as White and Levine emphasize, it does not connote "reciprocity." Exchanges can be solely unidirectional action. The core concept of social exchange theory is the longitudinal exchange relation between two specific actors. It focuses directly on the social process of give-and-take in people's relations and aims to understand the behavior of each actor contributing to the exchange. The reason for employing exchange theory is to understand the underlying social structures, which after all "are structures composed of the social relations among actors, whether these actors are individual or collective" (Cook 1977). Homan's dyadic focus identifies an individual's psychological factors for exchanging, which Blau then extends to analyze the single parts to an exchange relation and eventually uses to explain the whole relationship. According to Rogers-Gillmore (1987), Blau provides a vision where "the whole can be greater than the sum of its parts, while at the same time proceeding from the parts to useful insights about the whole."

Social exchange theory has the potential, as Blau (1987) explains, to "dissect the transaction process to explain the interdependent contingencies in which each response is dependent on the other's prior action and is simultaneously the stimulus evoking the other's further reaction." In the context of an outsourcing venture, the actual operationalization of the contract guides these prior, but also future, actions, which, when combined, introduce a certain amount of predictability into the relationship. The interdependent contingencies are evident in the contract and are further explored by Macneil's (1974) relational contract theory.

3.1 Social Contract Theory

The nature of a contract, according to Macneil (1974, 1978, 1980), evolves from the four principles of society: specialisation of labor, exchange, choice, and awareness of the future. The labor force within society has continued to specialize over the centuries to such an extent that individuals and/or companies no longer produce for themselves everything they need to thrive. They have become dependent on exchanges with others for products/services. The level of choice individuals and/or companies have among a range of exchanges explains the extent of freedom they enjoy. However, without an awareness of the future, a contract defining these exchanges is not worth pursuing, since

consciousness of the future determines the need for a contract. A contract is “no more and no less than the relations among parties to the process of projecting exchange into the future” (Macneil 1980).

Macneil (1974) proposes that one should look toward exchange as an activity, tangible or intangible, and more or less rewarding or costly, that arises between at least two individuals and/or companies. Macneil (1978) found that his explanation of exchange—voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others—is very similar to that of the exchange theorists (Blau and Homans, among others). However, the integration of ongoing reciprocal exchange with classical and neoclassical contract theory is severely restricted by law. He thus proposes revamping contract theory so that it caters to prior and future actions of individuals participating in such an exchange relation. This can be achieved through conjoining the behavioral or normative issues with the legal dogmas of contract theory into a new modern relational contract.

However, specifying in detail exchange relations is understandably complex as they have to cover various unspecified obligations. This becomes even more complicated when considering that “relational exchange participants can be expected to derive complex, personal, non-economic satisfactions and continue to engage in social exchange” (Dwyer et al. 1987). Macneil (1978) found that, in a relational exchange contract, not all the transfers to be made now, or in the future, can be agreed upon at the time of contract signing. A classical or neoclassical contract cannot dictate the specific exchanges to be made for a long term into the future, since it lacks the flexibility needed to deal with changes. The dilemma here is that a contract is neither self-enforcing nor self-adjusting, but fundamental for an outsourcing relationship (Goldberg 1980).

In essence, relational exchange, but also social exchange theory, is concerned with the reciprocal expectations of some future return, which affect both the behavior of the individuals and, in the contractual context, the achievement of the terms stipulated. Macneil (1974) postulates that a bi-party agreement should regulate the contractual relation along 12 key dimensions (Table 3), which Dwyer et al. categorized into situational and process characteristics. These dimensions outline the individual parts and, to a certain extent, the underlying structure of the exchange relation. Dissecting the contract, as Blau suggested, provides a useful insight into the individual relationships, but also the whole relationship. In other words, the dimensions presented by Macneil are useful for theoretical substantiation, but also for analyzing the *gestalt* of a modern contractual relationship, i.e., an IT outsourcing venture. Essentially, they elucidate those contractual characteristics (situational) that are integral to the normative (process) development of a relationship, but may vary from contract to contract.

In retrospect, the fact that social contract theory integrates notions of social exchange theory makes it a strong contender for a general theoretical framework that can explain outsourcing ventures in its own right, but more importantly it provides us with an starting point for discussing the *gestalt* of an outsourcing relationship.

4. DISCUSSION OF THE *GESTALT* OF AN IT OUTSOURCING RELATIONSHIP

From the previous review and the consideration of research into IT outsourcing, it was possible to develop an exploratory model illustrating the structural determinants of an IT outsourcing relationship (see Figure 1). Applicable to both the vendor's and client's point of departure, the model elucidates those factors that characterize the nature of an outsourcing relationship and the likely behavioral traits of the parties involved. It also indicates the focus of an outsourcing relationship, either contractual or normative or both. The eclectic origin of the exchanges in the model allows us to draw on a robust theoretical foundation. However, the outsourcing relationship should not be considered solely a reciprocal interorganizational relationship, as many exchanges will occur unilaterally as compliance of the vendor to the contract.

Table 3. Modern Contractual Relationship Elements

Contractual Elements	Extreme Relational Exchange
Situational Characteristics	
<ul style="list-style-type: none"> Development of exchange (Commencement, duration and termination) 	<ul style="list-style-type: none"> Long-term; beginning of agreement traces back to previous agreement; gradual development; exchange is longer in duration, reflects on ongoing process; gradual dissolution.
<ul style="list-style-type: none"> Number of parties involved 	<ul style="list-style-type: none"> At least two, but often more.
<ul style="list-style-type: none"> Obligations (Sources of content, sources of obligation, and specificity of obligation) 	<ul style="list-style-type: none"> Content and sources (external and internal) of obligations are promises made in the relation, and influenced by law and custom. Obligations are customized, detailed and administered within the relation, if breakdown may become transactional.
<ul style="list-style-type: none"> Expectations of relation 	<ul style="list-style-type: none"> Trust and efforts of unity counterbalance conflicts of interest and future problems. Cooperation aids in solving conflicts.
Process Characteristics	
<ul style="list-style-type: none"> Personal relations (Social interaction and communication) 	<ul style="list-style-type: none"> Important personal, non-economic satisfactions derived; both formal and informal communication mechanisms are extensively used.
<ul style="list-style-type: none"> Contract (Legal regulation of exchange behavior to ensure performance and consistency) 	<ul style="list-style-type: none"> Strong emphasis on legal and self-regulation; satisfactions cause internal adjustments.
<ul style="list-style-type: none"> Transferability (The power to transfer rights, obligations, and satisfaction to other parties) 	<ul style="list-style-type: none"> Limited transferability; exchange is heavily dependent on the identity of the parties involved.
<ul style="list-style-type: none"> Cooperation (Joint efforts at performance and planning) 	<ul style="list-style-type: none"> Relation entirely dependent on further cooperation in both performance and planning over time.
<ul style="list-style-type: none"> Adjustments (The process and mechanisms for coping with change and conflicts; bindingness) 	<ul style="list-style-type: none"> Focus on the process of exchange; planning of structure and processes of relation; future exchanges planned within possible new environments, “joint creative effort” in planning; planning on certain issues binding, covers flexibility though.
<ul style="list-style-type: none"> Measurement and specificity (Calculation and assessment of exchanges) 	<ul style="list-style-type: none"> Significant attention is given to measuring, specifying, and quantifying all aspects of performance and exchanges, although difficult at times. Future benefits are considered.
<ul style="list-style-type: none"> Power (The ability to impose one’s intentions on others). Division of benefits and burdens (The extent of sharing risks and rewards) 	<ul style="list-style-type: none"> Increased dependence increases the importance of power in exchange relation.
<ul style="list-style-type: none"> Division of benefits and burdens (The extent of sharing risks and rewards) 	<ul style="list-style-type: none"> Undivided sharing of risks and rewards, and adjustments to cater for future sharing of risks and rewards.

Adapted from Macneil (1974, 1978, 1980) and Dwyer et al. (1987).

The *gestalt* of the model is purposely arranged to illustrate the key exchanges and the working context between Company A (vendor) and Company B (Client). The exchanges vary in their nature of either contractual or normative, which are pervaded by factors that affect both the working climate and behavior of the individual. To emphasize the

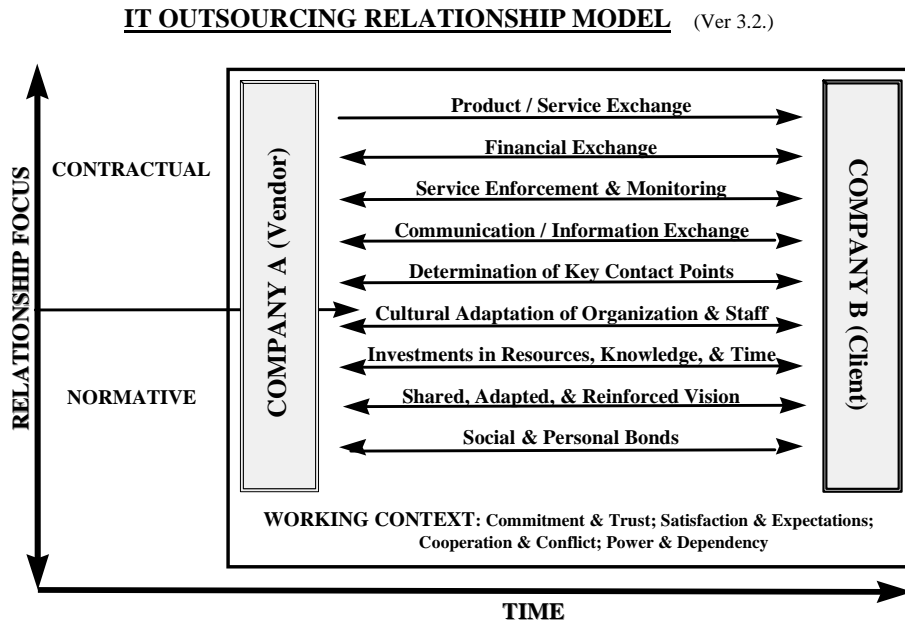


Figure 1. Outsourcing Relationship Model

developmental process, the model is based on a *time* continuum. Success of a relationship relies chiefly on the level of customer satisfaction, decreased cost, increased quality of services, and, more importantly, longevity of the venture (Stralkowski and Billon 1988).

The outsourcing relationship depends largely on the initial *contractual* stage, since it greatly influences the quality of the relationship (Fitzgerald and Willcocks 1994a; Lacity and Hirshheim, 1993). The contract and/or service level agreement specifies in detail the *exchanges of services and/or products, financial matters, service enforcement and monitoring methods, communication and/or information exchanges, key contact points, and general working context*. The exchanges can be characterized by such dimensions as timeliness, value, regularity, quality, and content. Additionally, regularity of exchanges provides the medium through which firms can slowly begin to change their relationship, i.e., from contractual to a cooperative (Easton 1992).

Early realization of the stipulated elements in the contract is dependent on good *communication* between the participants, as only through ongoing *exchanges of information* can either side fulfill its legal obligations, achieve expectations and satisfaction, avoid conflicts, facilitate solutions to problems, reduce uncertainty levels, and ensure flexibility (Aiken and Hage 1968; Easton 1992). Flexibility at the contractual level is absolutely fundamental, since adjustments, changes, and investments that were not foreseeable in the initial agreement have to be made to ensure the venture progresses. For that, the communication mechanisms commonly employed are daily interactions, and possibly weekly, monthly, or yearly meetings with the steering committee overseeing the whole outsourcing venture. Formal communication in this context is characterized by hard facts such as technical, legal, or commercial data, whereas informal communication is more likely to be personal, supportive, or soft data (Hakansson and Snehota 1995). Additionally, communication leads to greater trust and, contrastingly, greater trustworthiness can cause improved formal and informal communication levels (Anderson and Narus 1990; Dwyer et al. 1987). Hence, meaningful communication is a necessary antecedent of trust.

In parallel, *cultural adaptations* are mutually initiated to smooth the transition to a working (i.e., *normative*) relationship. Cultural adjustments may not be explicit, since they evolve gradually, as the two cultural distances between the participating organizations move closer (Ford 1980). The process is largely a task of communication, cooperation, and developing trust in the counterpart. According to Forsgren et al. (1995), adaptations take place in attitudes, rules, norms, knowledge, and corporate strategies. They can be manifested in various ways, although most clearly in the common language created between the staff. This is important as the visible running of the operation can be integrated quite easily in a relationship, but the unwritten norms that are part of an organization can only be grasped through a phasing-in period and/or a process of adaptation. Fitzgerald and Willcocks (1994b) found that a degree of cultural understanding, an element of flexibility regarding the contract, and a notion of fair deal has to exist in outsourcing relations. Problems in ventures tend to arise when the parties involved do not share the same social and cultural traits/norms. To enact, follow, and resist these rules and norms is what makes the individual corporate culture (Mills and Murgatroyd 1991). These complex “rites and rituals of corporate life” pose difficulties during change initiatives (Deal and Kennedy 1982), since changes to these values requires time for staff to adjustment. In various cases the differences in culture cause a level of anxiety in employees.

Pursuing a successful relationship will in part require *investments such as time, knowledge, and resources* from both the client and vendor (Johanson 1994). These investments are specific to the relationship, but the returns obtained can be such that they include the rendering of current transactions, increase the accumulation of knowledge, and improve control. The knowledge acquired may, for example, cover the level of technical, administrative, or logistical competence of the partner (Easton 1992). Therefore, any type of investment signals strong commitment, since the economic consequences that the party will incur if the relationship ends is quite considerable (Cassel 1996; Shankar 1994).

Investments may necessitate awareness of the client company’s *vision*, which in this context is characterized by the purpose for being, cultural beliefs and values, mission, goals, and objectives (Thornberry 1997). The vision needs to be shared and both parties need to exhibit ownership to ensure the IT services delivered complement its achievement. Initially, the vision may need adapting, and as time passes alteration, to ensure the service and expertise available from the vendor is fully integrated. On achievement of mutually agreed goals and objectives, the vision may need adapting to cover future goals and objectives.

Normative exchanges in the relationship are evident between individuals from both sides who formed *social and personal bonds*. Social ties provide an already existing network through which coalitions can be built, but strong bonds engender trust and compliance (Rogers-Gillmore 1987). A bond between two firms implies tying together of relations between partners (Easton 1992). Strong bonding is dependent upon the satisfaction of each partner with the other. Thus, the development of the relationship depends on social and personal bonds, so much so that alleviation of conflicts, achieving satisfaction, and continuing adaptation all depend to a certain extent on the closeness of the bonds between the individuals. In certain cases, the strength of the personal and social bond transcends and even replaces the economic focus, thus determining the *raison d’être* for the flourishing of the relationship.

4.1 Working Context

The various exchanges occurring within both levels depend largely upon the atmosphere that pervades the overall outsourcing deal. It can be characterized by commitment and trust, satisfaction and expectations, cooperation and conflict, and power and dependency. These can be operational simultaneously at every point of time in the relationship, but may also arise at intervals and in problem situations.

Commitment and trust are interdependent, as greater commitment leads to greater trust and vice versa. The commitment of either party to the relationship is a clear indication that the party is serious about achieving success and is willing to exert effort on behalf of the relationship (Mohr and Spekman 1996). Commitment in an outsourcing relationship might be measurable by the vendor's allocation of specific people to the contract, the regularity with which the service team interacts with the client, the frequency with which the service team might change, and any other adaptations. Trust grows with commitment and it starts with taking the risk to trust the other party. As experience with the partner develops, trust will evolve. Trust is the belief that a party's word is reliable and that it will fulfill its obligation as stipulated in the agreement, by acting predictably and fairly (Anderson and Narus 1990; Mohr and Spekman 1996). Fairness encompasses two key aspects: the perceived fairness of the outcomes received and the perceived fairness of the vendor's process for managing the relationship (Kumar 1996), the latter implying, for example, the number of experts the vendor commits to handling the relationship.

Once a party develops trust in the other, a pattern of commonality arises and both parties will become increasingly ready to work cooperatively toward established goals and objectives (Brunard and Kleiner 1994). Hence, trust could be assessed by whether mutual goals and/or objectives have been established, what time frame these cover, and in which interval these are revised. Regardless of how deeply two partners trust each other, there will always be areas of difference, as the two parties inevitably will have some goals that are specific to their interest (Kumar 1996). Therefore, trust as a construct in an outsourcing relationship tends to be less intensive, and involve lower personal commitment, than interpersonal relations in general (Anderson and Narus 1990).

Satisfaction in the outsourcing relationship will come about naturally with the achievement of the client's expectations. Misalignment of ambitions and expectations is often found to be the root cause of problems (Vowler 1996). To avoid such mishaps, ongoing communication is vital to manage each other's expectations by taking care dissatisfaction is kept at a minimum (Lacity et al. 1994). The expectations are partly defined by the service level agreements, the contract, and the client's initial outsourcing strategy terms, but will also depend on how the vendor reacts and responds to demands and changes made by the client. Satisfaction can be defined as "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (Anderson and Narus 1990, p. 66). The pursuit of mutual benefits increases the client's perception of closeness and trust in the partner. The closeness and achievement of expectations affords a strong feeling of "chemistry" and result in satisfaction with the vendor (Kumar 1996). Satisfaction with the outcomes increases the vendor's trustworthiness over time and determines the overall successfulness of the relationship.

Cooperation underpins the relationship and depends, according to Axelrod (1984), on four strategic elements: (1) avoid unnecessary conflict by cooperating, as long as the other party does; (2) avoid provocation in the face of conflict; (3) practice forgiveness after provocation; and (4) practice clarity of behavior so the other party can adapt to your behavior. Obviously, key to the effectiveness of these strategies is durability of the relationship, but generally long-term operation of the relationship justifies cooperative operation at any point in time. This is "based on the assumption that if parties can negotiate minimal, congruent expectations for a cooperative inter-organizational relationship, they will make commitments to an initial course of action" (Van De Ven and Ring 1994, p. 99). The course of action depends on interactions occurring between individuals within the context of an overall relationship that persists over time. Punishing non-cooperatives at any point in time creates hostility, diminishes social solidarity, breaks down satisfaction and trust (Rogers-Gillmore 1987). This should be avoided as much as possible.

Power-play in outsourcing relations is mainly a result of dependency and tends to cause a power-control dilemma (Easton 1992). Power-dependency becomes evident through the influence one party can exert over the other (Cunningham and Tynan 1993). However, power is dependent on the interests of the parties in the exchange relationship. In total outsourcing deals, the vendor will dominate the relationship as the client is totally dependent

on services from the vendor. In selective outsourcing, the situation may be more balanced. Generally, though, a dependency automatically takes shape once a company has transferred a significant amount of assets and/or staff.

5. CASE STUDIES

5.1 Research Approach

Following the construction of the theoretical model, the research aimed at improving and validating the model by investigating client and vendor relationship practices in private companies in British industry. To achieve this, client companies that had outsourced for at least one year and their vendor(s) were contacted in late 1996. It was found that a qualitative research method of multiple respondents covering the of perspective both parties would be best for validating the model, since the understanding of the outsourcing relationship in this research project depended on the “knowledge of reality as socially constructed by the individual human actors” (Walsham 1995). Additionally, there was a need to use multiple informants to ensure a high validity of results of organizational properties (Phillips 1981). Thus, multiple triangulation was to become crucial to ensure anything more than a partial perspective on the IT outsourcing relationship (Denzin 1970).

5.2 Research Method

Using a semi-structured interview protocol, a series of interviews were undertaken with a range of participants, including IT managers, contract managers, account executives, general managers, and support managers in both customer and vendor companies in the early months of 1997. Questions addressing the contract, post-contract management, relationship management, the nature of a working relationship, and the evolution of a relationship were posed, with a strong emphasis on what characteristics influenced the operationalization of the contract. The interviews were scheduled for one hour but in many cases lasted anywhere up to three hours. All of the interviews were tape-recorded and transcribed, after which the responses from the client and the vendor companies were grouped together into subject categories by applying a “data display” method (Miles and Huberman 1994). The resulting checklist matrices of the subject categories were then classified into areas of agreement and commonality and into sets of disagreement and problems. The areas of agreement that illustrated a within-group similarity identified those variables which underpinned the outsourcing relationship and also provided the means for further subjective cross-case analysis. In some instances, it was possible to cross-case analyze the client company’s response with their respective vendor company’s response. The interviews formed the basis for about 11 case studies, which were corroborated by the collection and the ensuing analysis of relevant documentation, including internal memos, minutes of meetings, and outsourcing contracts. Table 4 presents an overview of the client and vendor companies researched.

5.3 Summary of Findings

Throughout the interviews, both the client and vendor companies continually stressed the importance of the relationship in IT outsourcing. When interviewees were asked to indicate the type of relationship, either contractual, close, or partnering, the majority positioned them as being either totally contractual focused or beginning to move toward partnering, i.e., operating within the “spirit of the contract” (see Table 4). Interestingly, the vendor companies were found most keen to emphasize the importance of partnering, even though a recent study by the Meta-Group revealed their rather meager partnering capabilities (see Table 4). Nevertheless, the general move toward a closer relationship was endorsed by both the client and vendor as fundamental, since actual enforcement of the contract comes about only through working together. Client E emphasized that “the contract defines how you are going to

work more than anything else, but you then still have to make it work. The contract is just paper, it's people that make things work. It gives them the guidelines, the stepping stones, the structure." Client E's view is supported by Vendor C, who found that "the contract determines how one faces the relationship and certainly the things you go for and things you don't go for."

However, the outsourcing relationship is always dependent on the sourcing context. "The nature of the contract depends enormously on what it is you contracted for" (Client A). In cases of easily definable services and products, the relationship may not extend much beyond that of contractual or service level agreement focus. However, others see the potential in outsourcing as leading toward partnerships or even strategic relationships because, as Client C stressed,

You get more strength out of an IT outsourcing relationship if you are making it more a partnership, strategic relationship. [However,] you can only have a partnership if both parties are equally strong and equally capable of balancing it. The most creative partnerships come through two very strong players.

Oddly, this view was not endorsed by its vendor (Vendor A). Similarly, Vendor D emphasized that Partnership is overused and what you actually have is a contract where there is a clear required supply from the supplier, there is clear money that has to be paid, and there are various clauses and termination clauses and so forth. People talk about partnerships because it sounds cozy and it's good from the point of relationship building.

The inherent dilemma of going down a track of partnering, however, is that the closer the parties get, the more difficult it becomes for the client company to retain control.

For [a] partnership to really work, the business half of the partnership has to be in the hands of business leadership who themselves are sufficiently literate about information management, and know how it is an integral part of business strategies, so that they have a strong grasp on the steering wheel. [Client C]

So, the contract builds the foundation, defining the services, products, and financial exchanges. It guides the initial "honeymoon phase," but once the one-off transition phase has been completed, normally after six months to one year, the actual day-to-day running takes over (Vendors A, B, and E). Service level agreements at this stage become closely monitored, since they can be easily measured and enforced. The objective measures are clearly determined by service levels and performance measures, which illustrate whether the supplier is achieving stipulated contract terms (Clients A, E, and F). But they do not indicate whether the user community is satisfied. Hence, subjective measures also deem consideration, which are dealt with by user satisfaction surveys and question and answer type sessions (Vendors A and E). Recent findings were mostly of dissatisfaction in the user community (Clients A, B, D, and F), which seemed strange since service levels had been met in many cases by vendors (Vendors A, B, D, and E). To improve user satisfaction, clients found that vendors need to have a greater understanding of their business and to show more commitment, and should possibly initiate investments beyond the terms stipulated in the agreement to ensure that the working relationship is maintained.

[Vendors] have got to have an intense commitment to understanding their customer, what the customer's requirements are, what the customer's drivers are. They've got to have this ability to sit as much as possible in the customer seat and understand the world from the customer's viewpoint. [Client F]

Table 4. Research Into Client and Vendor Companies in the United Kingdom

Client, Industry and Position of Interviewee	Annual Turnover	Origin	Outsourced	Start of deal	Length of deal	Size of deal	Number of people transferred	Relationship Focus (1997)³	Customer of Vendor Company
Client A – Motor cars manufacturer and MIS executive	£396mn (1995) ¹	British	Selective software development and operations	1991	5 years	£1mn	12	Contract	Vendor B
Client B – Electronics manufacturer and IT manager	£270mn (1995) ²	Japanese	Selective legacy systems	1994	5years	£0.5mn	none	Contract/ partnering	Vendor E
Client C – Chemicals manufacturer and group IS manager	£10bn (1996) ¹	British	Selective data center, software support and development, legacy systems	1994	3 years	£75mn	400	Contract/ partnering	Vendor A
Client D – Petroleum refining and corporate IT adviser	£453mn (1995) ²	Dutch/ British	Selective legacy system software development	1994	3 years	N/A	300	Contract	Vendor A
Client E – Property investment and development and management services manager	£472mn (1995) ²	British	Selective maintenance and software development	1993, 1995	4 and 3 years	£3mn	none	Contractual and Strategic relationship	N/A
Client F – Retailing and business support manager	£780mn (1995) ²	British	Total	1993	10 years	£1bn	120	Contract/ partnering	Vendor B

¹Total including other subsidiaries; ²United Kingdom turnover; ³Findings from research in 1997.

Vendor and Interviewee	Origin	Annual Turnover (Worldwide)	Explicit Relationship View	Partnering capabilities^a
Vendor A – UK Managing Director	American	£12,4bn (1995)	Yes	3
Vendor B – European Strategic Director	American	£4,2bn (1996)	No	2
Vendor C – Director and Account Manager	American	£2,5bn (1995)	No	3
Vendor D – Business Director	French/British	£670mn (1995)	No	4
Vendor E – Executive Director	British/French	£250mn (1995)	Yes	N/A

^aMeta Group Inc.'s (1996) global rating of IT vendors on a scale of 1 to 5; (1 is best). Partnering capabilities entail the ability to partner at various levels, including megadeal alliances and project-specific partnerships.

Only through high satisfaction levels can confidence in the vendor be built, which ultimately leads to trust. Trust was emphasized as key by all of the vendors and by the majority of client companies. Vendor A went so far as to suggest that, “in business, you can only build trust, we believe, by delivering something hard, delivering particular benefits or maximizing value,” which can then be measured by satisfaction and other means.

Delivery and monitoring of products and/or services was found to be the fundamental driver of the relationship for the client, since “in the very hard nosed atmosphere we are in nowadays, unless you can articulate the performance change and say this company’s contribution to that is very clear, and this is what they want to gain, then it won’t stand much scrutiny at the time” (Client F). To ensure smooth operation, clients suggested identifying and/or establishing a communication structure in the form of key contact people. In cases where staff have been transferred, the residual IS group will pose as a key intermediary, which ultimately needs to be replicated by the vendor. The clients stressed that the key contacts in the vendor company were actually those people who acted as the drivers for the client/vendor relationship. Thus, in those instances when contract managers on either side are moved, a whole new relationship has to be built.

So, you lose a relationship there and you have to try and rebuild. We have rebuilt many and it’s very dependent on the outsourcing company’s account manager, who is the main source of information for us. If they keep changing, then the relationship keeps changing. But in general we manage to keep a reasonable relationship with these people. I think the main problem in outsourcing is the change in personnel. [Client B]

The importance of the contact points is in their function of information dispersion and as an exchange role. Communication as such was found to underpin the relationship, so much so that only through communication were problems identified and alleviated, distances covered, and cultural adaptation catered for. “The basic things: are you getting the level of dialogue that really ensures that you’ve got a supplier who is working hard to understand you and your business, where you are, and to see where they can respond constructively, creatively” (Client D). Good communication was also identified as an indicator of whether the relationship was functioning:

If they miss a target date and I don’t know about it until after they miss the target date, then there’s something wrong with the relationship. If they were having problems somewhere, [then I should have been] informed early enough so that we could jointly agree what actions to take to either minimize the damage or remove the problem. [Client E]

A successful relationship, as both vendors and clients explained, is identifiable by the way it handles conflict situations. In those circumstances where problems do arise, both sides need to cooperate to resolve them. One of the underlying factors that come to the front in such conflict situations is cultural fit between the organizations.

No one must ever underestimate that culture is a lot of things, it’s mainly to do with the national background, it may be to do with the way you both think....You can have incompatible cultures but they only tend to work when you’ve got this kind of procurement type of arrangement because you then have to write it all down. [Vendor E]

The mutual adaptation of culture tends to occur over time. In the early stages of a contract, the cultures of the two parties may clash. The adaptation then comes about without having to take strict measures at changing; it is more a process of developing a working relationship and good communication. In cases where staff have been transferred, the culture clash for those people is enormous, whereas for the client company buying the service back, the culture difference is at a minimum, due to buying its services back from former employees. In many situations, cultural

adaptation demands input from both sides, especially to avoid the culture clashes that were found by clients to cause considerable conflicts. For example, as Client A discovered, “[The vendor wasn’t] quite as nimble as we were because they hadn’t been through this reengineering process and that caused an awful lot of conflicts, on both sides. It was a cultural difference.”

Minimizing the cultural difference and establishing working procedures allows the client to consider integrating the vendor as a contributor to achieving the company’s goals and objectives. Clients flagged this issue as complex, as the parties tend to have different objectives. However, it is not about the same objectives but about compatible objectives.

What you want to achieve and what I am trying to achieve with my business, are they compatible? And therefore is there a shared vision where we might be together in the next five years? So, it’s compatible objective, shared vision, that kind of stuff which tells you, you are going to be able to work together. [Vendor E]

This demands that the vendor has an understanding of the client’s business and is culturally aware. To achieve this, Vendor C suggests that “what we need to do is have people who are getting close in with the customer, getting to understand about the business, bringing in the appropriate people from the central group and when in order to put forward proactive ideas about how IT can be used to bring benefit to the business.” Ultimately, the mutual goal is a win/win scenario, where both parties benefit from the outsourcing venture. In some client cases, the vendor contributes to the client company’s future vision of where it wants to go in order to ensure active involvement of the vendor in achieving the client’s objectives. Client D explained that “the two parties should be working toward a common goal and if they are not talking to each other and don’t trust each other they are going to miss whatever the contract says.” Similarly, Client F emphasized

I’m not giving them control of [strategy], I’m saying I will share with you a real understanding of what our business strategy is so that you are better placed to help me understand the real capabilities that I need to draw on. I will make the decisions, my strategy, my responsibility, but I will bring you into the team closely enough that you really understand what I’m trying to achieve, and therefore you can really say this particular capability is really going to help you make a big change. And then we get into the partnership to make it happen.

Investments in time and resources are inherent to greater integration of the vendor, so much so that relationship management will demand more time as the relationship develops.

Institutionalization of operational procedures in the outsourcing relationship may involve developing close and personal relations. In cases where staff were transferred, these relations already exist and are further reinforced by ongoing contact and social events. However, personal relations were found by clients as being particularly helpful in resolving conflict situations, so much so that getting to know the vendor can have a profound impact on how the relationship develops. Client E explained that

The more you get to know a supplier personally the better the overall relationship will work. What you have to guard against, and this is the other extreme, is that a bond does develop so that you can never walk away from that guy. Because in any customer/supplier relationship, the customer has to reserve the right to say at some point in time I’ve had enough, for whatever reason this relationship is not working and I want to go somewhere else. So there is a dividing line there somewhere, I don’t know where it is, it’s something you can only measure when you go along. Somehow you

have to get a relationship which is relatively close and friendly, but on the other hand still gives you the capability to turn your back on it if you want to.

6. DISCUSSION

The previous section discussed some key findings of the analysis of the responses from interviewees about the crucial factors in the client/vendor relationship. The selection of the findings discussed was guided by the proposed model of a client/vendor relationship. This section will draw upon the model and its underlying theoretical framework to assess whether the findings validate and possibly suggest improvements to what initially were found to be the main characteristics of an IT outsourcing relationship.

The findings indicated that, in most situations, vendors looked more favorably toward developing a closer relationship than clients, simply because they saw a potential for enlarging their service and/or product offerings. Regardless, of whether the outsourcing relationship was perceived as being contractually or partnering focused, it still had to cover a set of dimensions that included the core terms of the contract. In general, these were found to be product and/or service exchange, financial exchanges, service enforcement and monitoring, reports and information to be exchanged, and the key personnel. This corresponded to what were identified in the model as being the contractual focus of the relationship and further corroborated Macneil's supposition that the contract in business relations today has a key role to play.

Essentially, both parties agreed that the relationship in outsourcing is an absolute must, because the contract on its own is neither self-enforcing nor self-adjusting. Macneil similarly found that today's classical and neoclassical contract theory suffers from a rigidity that does not take into account the relational aspect in contracts. However, as evident from the findings, the outsourcing contract has to be seen to extend into the relational realms, which were identified as being the normative characteristics that Macneil outlined in detail in his 12 dimensions (Table 3). Client C highlighted how the outsourcing deal transcends the contract into the relational realm:

The contract provides a sub-stratum. It's about getting the foundations right. But to really get the partnership working and delivering, you've got to have the confidence in the personal relationships and the ways of working together and these processes of working together are very difficult to capture in the contract. But the things that you are talking about in a outsourcing partnership are more about process and relationships and common visions which are difficult things to track in a contract.

In retrospect, the supposition that the contract is operationalized by the ensuing client/vendor relationship was fully endorsed by both sides. Additionally, it was evident that exchanges were occurring that were not contractually stipulated, strongly indicating the occurrence of "voluntary exchanges" to ensure the continuation of the relationship.

Interestingly, a whole bandwidth of relationships were found in an outsourcing venture, from strictly formal contractual-based relations to close personal relations between individuals in the companies. Generally, it seemed the more effort invested in developing the relationship, the closer and/or more personal the relations became between managers. Examples given by individuals from Clients C, B, E, and F about the outsourcing deal and their attitude toward the other party defined the operation of the whole outsourcing venture. It was the behavior of the individuals that defined the working context. Looking at the working context of the model, it was found strikingly representative of the behavioral properties that influence and/or characterize how individuals relate to each other in the outsourcing venture. Trust and its importance for working together was stressed by Clients B, C, E, and F and by all vendors.

Before trust could be achieved, however, it was felt that the chemistry between the key personnel operating as the interface between the parties had to be assured. It was repeatedly emphasized that those fostering the relationship will be the key intermediaries and that they have to match on a personality level. Essentially, the outsourcing relationship, as Clients B, C, E, and F and Vendor A, C, and E declared, is about the people involved. Only the people can make the relationship work and be successful. Thus, having wrong communicators, as discovered by Client B and Vendor E, at key interface points can lead to conflicts, dissatisfaction, and eventual breakdown of the whole outsourcing venture.

In hindsight, looking at the findings from all the interviews, it became evident that the model in the future would have to integrate the notion of understanding the client's business and having confidence in the vendor to deliver the services for which it was contracted. These subjective factors will undoubtedly influence the smooth enforcement of the contract over the long-term. Additionally, it became apparent that fundamental to the overall outsourcing relationship is awareness at the outset and the intention of the client company. As Vendor B and Client E emphasized, the outsourcing intention determines in many cases the kind of relationship. This suggests that the model may need to include a section that covers the actual context of the outsourcing deal. This will then set the scene and clarify from the start the relationship focus, since the outsourcing relationship depends heavily on what is actually outsourced.

7. CONCLUSION

The aim of this paper was to demarcate the characteristics of a client/vendor relationship of an IT outsourcing venture. An initial theoretical model underpinned by social exchange theory and contract theory was empirically explored in both client and vendor companies. The assumption that the relationship is a major, neglected element that critically needs managing in an IT outsourcing venture was confirmed by what interviewees from both sides revealed. Outsourcing success does not depend solely on achieving service levels, but also on the relationship between the two parties and how this helps them to work toward a win-win situation. In line with this scenario, the *gestalt* of an outsourcing relationship was largely confirmed by industry practice and thus discloses the kind of properties the client and vendor company need to consider in managing their outsourcing deal. Using a simple score card scheme based on a Likert scale, individuals from both the client and vendor company can rate and evaluate their relationship according to the identified characteristics. Those characteristics with particular low scores, may require greater management attention.

Moreover, the issues identified in the discussion section need inclusion in the model. In general, it was found that the model represents the main characteristics of a client/vendor relationship. Of notable interest were some of the large differences between the perceptions of the clients and their respective vendors of the critical characteristics. Clearly, the model has its limitations in respect to its static view, but its usefulness can be derived from its heuristic and analytical potential in a fashion that captures both the outsourcing relationship's contractual, social, and economic characteristics, as well as many additional elements. Further research will develop the framework in a more dynamic direction, which will be able to track developments over time.

8. ACKNOWLEDGEMENTS

The author is indebted to Leslie Willcocks, Templeton College, Oxford, for reading the first draft and to the anonymous reviewers from ICIS 1997. This research is funded by the 1996-1998 Business Scholarship Award from Lloyd's of London Tercentenary Foundation.

9. REFERENCES

- Aiken, M., and Hage, J. "Organizational Interdependence and Intra-Organizational Structure." *American Sociological Review* (33:6), 1968, pp. 912-930.
- Anderson, J. C., and Narus, J. A. "A Model of Distributor Firm and Manufacturer Firm Working Partnerships." *Journal of Marketing* (54:1), 1990, pp. 42-58.
- Applegate, L., and Montealegre, R. "Eastman Kodak Company: Managing Information Systems Through Strategic Alliances," Harvard Business School Case 9-191-030, Boston, MA, 1991.
- Axelrod, R. M. *The Evolution of Cooperation*, Basic Books, New York, 1984.
- Bensaou, M., and Venkatraman, N. "Inter-Organizational Relationships and Information Technology: A Conceptual Synthesis and a Research Framework," *European Journal of Information Systems* (5:2), 1996, pp. 84-91.
- Brunard, V., and Kleiner, B. H. "Developing Trustful and Cooperative Relationships," *Leadership and Organization Development Journal* (15:2), 1994, pp. 16-19.
- Blau, P. M. *Exchange and Power in Social Life*, John Wiley and Sons, New York, 1964.
- Blau, P. M. "Microprocess and Macrostructure," in *Social Exchange Theory*, K. S. Cook (ed), Sage Publications Inc., Newbury Park, CA, 1987, pp. 83-100.
- Cassel, H. R. "Building the Dream Team: How Data Centers and Vendors Become Partners," *Journal of Systems Management*, March/April 1996, pp. 28-30.
- Cook, K. S. "Exchange and Power in Networks of Interorganizational Relations," *The Sociological Quarterly* (18), Winter, 1977, pp. 62-82.
- Cunningham, C., and Tynan, C. "Electronic Trading, Interorganizational Systems and the Nature of Buyer-Seller Relationships: The Need for a Network Perspective," *International Journal of Information Management* (13:1), 1993, pp. 3-28.
- Cunningham, M. T. "International Marketing and Purchasing of Industrial Goods—Features of a European Research Project," *European Journal of Marketing* (14:5/6), 1980, pp. 322-338.
- Deal, T. E., and Kennedy, A. A. *Corporate Cultures: The Rites and Rituals of Corporate Life*, Addison-Wesley, Reading, MA, 1982.
- Denzin, N. *The Research Act in Sociology*, McGraw-Hill, New York, 1970.
- Dwyer, F. R.; Schurr, P. H.; and Oh, S. "Developing Buyer-Seller Relationships," *Journal of Marketing* (51), 1987, pp. 11-27.
- Easton, G. "Industrial Networks: A Review," in *Industrial Networks: A New View of Reality*, B. Axelsson and G. Easton (eds.) Routledge, London, 1992, pp. 1-34.

- Elam, J. J. "Establishing Cooperative External Relationships," in *Transforming the IS Organization*. J. Elam, M. Ginzberg, P. Keen, and R. Zmud (eds.), International Center for Information Technologies, Washington, DC, 1988, pp. 83-98.
- Emerson, R. M. "Exchange Theory Part I and II," in *Sociological Theories in Progress*, J. Berger, M. Zelditch, and B. Anderson (eds), Houghton-Mifflin, Boston, 1972, pp. 38-87.
- Faulkner, D. *International Strategic Alliances: Cooperating to Compete*, McGraw-Hill, New York, 1995.
- Feeny, D. F., and Willcocks, L. P. "The IT Function: Changing Capabilities and Skills," Working Paper, Oxford Institute of Information Management, 1997.
- Fitzgerald, G., and Willcocks, L. "Contracts and Partnerships in the Outsourcing of IT," *Fifteenth International Conference on Information Systems*, S. L. Huff, M. C. Munro, and J. I. DeGross (eds), Vancouver, Canada, 1994a.
- Fitzgerald, G., and Willcocks, L. "Outsourcing Information Technology: Contracts and Client/Vendor Relationships," Working Paper RDP94/10, Oxford Institute of Information Management, 1994b.
- Ford, D. "The Development of Buyer-Seller Relationships in Industrial Markets," *European Journal of Marketing* (14:5/6), 1980, pp. 339-353.
- Forsgen, M.; Hagg, I.; Hakkansson, H.; Johanson, J.; and Mattson, L. G. *Firms in Networks*, Uppsala University, Stockholm, 1995.
- Goldberg, V. P. "Relational Exchange: Economics and Complex Contracts," *American Behavioral Scientist* (23:3), 1980, pp. 337-352.
- Grover, V.; Cheon, M. J.; et al. "Theoretical Perspectives on the Outsourcing of Information Systems," Working Paper, Management of Science Department, University of South Carolina, Columbia, 1995.
- Hakansson, H. *International Marketing and Purchasing of Industrial Goods: An Interaction Approach*, John Wiley and Sons, Chichester, England, 1982.
- Hakansson, H., and Snehota, I. *Developing Relationships in Business Networks*, Routledge, London, 1995.
- Henderson, J. C. "Plugging into Strategic Partnerships: The Critical IS Connection," *Sloan Management Review*, Spring, 1990, pp. 7-18.
- Homans, G. C. *Social Behavior: Its Elementary Forms*, Harcourt, Brace, Jovanovich, New York, 1961.
- Johanson, J. "Manufacturer-User: A Stable Relationship," in *Internationalization, Relationships and Networks*, J. J. Associates (eds), Uppsala University, Stockholm, 1994, pp. 23-29.
- IDC and School, W. B. *IT Outsourcing: The Changing Outlook 1994*, International Data Corporation and Warwick Business School, Information Systems Research Unit, 1994.

Kern, T., and Willcocks, L. "The Enabling and Determining Environment: Neglected Issues in an IT/IS Outsourcing Strategy," *European Conference on Information Systems*, Lisbon, Portugal, 1996.

Kirkpatrick, D. "Why Not Farm Out Your Computer," *Fortune*, 1991, pp. 73-78.

Klepper, R. "Efficient Outsourcing Relationships," *Outsourcing of Information Systems Services Conference*, University of Twente, The Netherlands, 1993.

Klepper, R. "Outsourcing Relationships," in *Managing Information Technology with Outsourcing*, M. Khosrowpour (ed), Idea Group Publishing, Harrisburg, PA, 1994.

Klepper, R. "The Management of Partnering Development in IS Outsourcing," *Journal of Information Technology* (10:4), 1995, pp. 249-258.

Konsynski, B. R., and McFarlan, F. W. "Information Partnerships: Shared Data, Shared Scale," *Harvard Business Review*, September/October, 1990, pp. 114-120.

Kumar, K., and van Dissel, H. G. "Sustainable Collaboration: Managing Conflict and Cooperation in Interorganizational Systems," *MIS Quarterly* (20:3), 1996, pp. 279-300.

Kumar, N. "The Power of Trust in Manufacturer-Retailer Relationships," *Harvard Business Review* (74:6), 1996, pp. 92-106.

Lacity, M. C., and Hirschheim, R. *Information Systems Outsourcing: Myths, Metaphors and Realities*, John Wiley and Sons Ltd., Chichester, England, 1993.

Lacity, M.; Hirschheim, R.; and Willcocks, L. "Realizing Outsourcing Expectations: Incredible Expectations, Credible Outcomes," *Information Systems Management*, Fall, 1994, pp. 7-18.

Lasher, D.; Ives, B.; and Jarvenpaa, S. L. "USAA-IBM Partnerships in Information Technology: Managing the Image Project," *MIS Quarterly* (15:4), 1988, pp. 551-565.

Levinthal, D. A., and Fichman, M. "Dynamics of Interorganizational Attachments: Auditor-Client Relationships," *Administrative Science Quarterly* (33), September, 1988, pp. 345-369.

Loh, L., and Venkatraman, N. "Diffusion of Information Technology Outsourcing: Influence Sources and the Kodak Effect," *Information Systems Research* (4:3), 1992, pp. 334-358.

Macneil, I. R. "The Many Futures of Contracts," *Southern California Law Review*, (47), 1974, pp. 691-816.

Macneil, I. R. "Contracts: Adjustment of Long-Term Economic Relations Under Classical, Neoclassical, and Relational Contract Law," *Northwestern University Law Review* (72), 1980, pp. 854-902.

Macneil, I. R. *The New Social Contract: An Inquiry into Modern Contractual Relations* Yale University Press, New Haven, CT, 1980.

- McFarlan, F. W., and Nolan, R. L. "How to Manage an IT Outsourcing Alliance," *Sloan Management Review*, Winter, 1995, pp. 9-23.
- Miles, M. B., and Huberman, A. M. *Qualitative Data Analysis*, 2nd ed., Sage Publications Inc., Newbury Park, CA, 1994.
- Mills, A. J., and Murgatroyd, S. J. *Organizational Rules: A Framework for Understanding Organizational Action*, Open University Press, Buckingham, England, 1991.
- Mohr, J. J., and Spekman, R. E. "Several Characteristics Contribute to Successful Alliances Between Channel Members," *Marketing Management* (4:4), 1996, pp. 34-43.
- Musgrave, J., and Annis, M. *Relationship Dynamics: Theory and Analysis*, The Free Press, New York, 1996.
- Oliver, C. "Determinants of Interorganizational Relationships: Integration and Future Directions," *The Academy of Management Review* (15:2), 1990, pp. 241-265.
- Phillips, L. W. "Assessing Measurement Error in Key Informant Reports: A Methodological Note on Organizational Analysis in Marketing," *Journal of Marketing Research* (18), November, 1981, pp. 395-415.
- Reekers, N., and Smithson, S. "The Role of EDI in Interorganizational Coordination in the European Automotive Industry," *European Journal of Information Systems* (5:2), 1996, pp. 120-130.
- Rockart, J. F.; Earl, M. J.; and Ross, J. W. "Eight Imperatives for the New IT Organization," *Sloan Management Review* (38:1), 1996, pp. 43-55.
- Rockart, J. F., and Ross, J. W. "The Changing IT Organization," Working Paper 3876-288, Center for Information Systems Research, Sloan School of Management, Massachusetts Institute of Technology, 1995.
- Rogers-Gillmore, M. "Implications of General Versus Restricted Exchange," in *Social Exchange Theory*, K. S. Cook (ed), Sage Publications, Newbury Park, CA, 1987, pp.170-189.
- Shankar, G. "Determinants of Long-Term Orientation in Buyer-Seller Relationships," *Journal of Marketing* (58:2), 1994, pp. 1-19.
- Stralkowski, C., and Billon, S. A. "Partnering: A Strategic Approach to Productivity Improvement," *National Productivity Review* (7:2), 1988, pp. 145-151.
- Thibaut, J. W., and Kelley, H. H. *The Social Psychology of Groups*, John Wiley, New York, 1959.
- Thornberry, N. "A View About Vision," *European Management Journal* (15:1), 1997, pp. 28-34.
- Van De Ven, A. H. "On the Nature, Formation, and Maintenance of Relations Among Organizations," *Academy of Management Review* (1:4), 1976, pp. 24-36.
- Van De Ven, A. H., and Ring, P. S. "Developmental Processes of Cooperative Interorganizational Relationships," *Academy of Management Review* (19:1), 1994, pp. 90-118.

Vowler, J. "Management: Lessons in Outsourcing," *ComputerWeekly*, 1996, p. 26.

Walsham, G. "The Emergence of Interpretivism in IS Research," *Information Systems Research* (6:4), 1995, pp. 376-394.

White, P. E., and Levine, S. "Exchange as a Conceptual Framework for the Study of Interorganizational Relationships," *Administrative Science Quarterly* (5:4), 1961, pp. 583-601.

Willcocks, L., and Choi, C. I. "Cooperative Partnership and Total IT Outsourcing: From Contractual Obligation to Strategic Alliance," *European Management Journal* (13:1), 1995, pp. 67-78.

Willcocks, L.; Fitzgerald, G.; and Lacity, M. "To Outsource IT or Not? Recent Research on Economics and Evaluation Practice," *European Journal of Information Systems* (5), 1996, pp. 143-160.

Willcocks, L. P., and Kern, T. "IT Outsourcing as Strategic Partnering: The Case of the UK Inland Revenue," *Proceedings of the Fifth European Conference in Information Systems*, Cork, Ireland, 1997.

Williamson, O. E. "Transaction-Cost Economics: The Governance of contractual Relations," *The Journal of Law and Economics* (22), 1979, pp. 233-261.

Williamson, O. E. "The Economics of Organization: The Transaction Cost Approach," *American Journal of Sociology* (87), 1981, pp. 548-577.